

CHARTER
A STUDY OF SELF-REGULATION IN THE YEARS AHEAD

The rapid changes taking place in securities markets, including the increased use of new trading instruments, computerized trading techniques, the changing structure of member firms along with their business diversification activities and the capabilities of technology and telecommunications to move investment capital and create global trading markets places (unprecedented?) strains on the regulatory system in general and the role of self-regulation in particular.

Also, the publicly given to recent cases involving market abuses. ~~the~~ raised questions about market surveillance

The New York Stock Exchange which is responsible for the oversight of its market and its members in the areas of capital compliance, operations and sales practices is sponsoring a study of its self-regulatory role. The purpose of this study is to:

- o ^{review and} define the NYSE's current self-regulatory role (both real and perceived)
- o examine the ^{effectiveness} ~~ability~~ of member firms compliance programs to ^{respond} ~~keep~~ ^{up with} the changing nature of the financial markets
- o recommend how the Exchange can improve its role ^{and performance} as a self-regulatory organization over the next five years
- o recommend changes in structure, law ^{and} or practice that may be required to protect the integrity of the market. ^(NYSE?)

This study assumes that self-regulation will continue to be the most important piece of overall regulation and that there will be a continuing partnership between the New York Stock Exchange, other self-regulatory organizations and the SEC. The study also assumes that NYSE member firms will continue to have the prime responsibility for compliance. ~~This subject needs to be examined at great length.~~

The study of self-regulation will be supervised by a policy group of nine people, with Richard Shinn, Executive Vice Chairman of the NYSE acting as Chairman. The group will consist of two other people from the NYSE Board, one person from the Legal Advisory Committee, one person who knows the Exchange well and has had experience in past studies of the SEC, one person from a listed company and two people who are currently with, or have had significant responsibility with, a member firm, as well as an academician who has expertise in regulation.

This policy group will decide what staff support is needed, either from the Exchange or from outside sources, and it will submit a proposed budget for approval by the Chairman of the Exchange. Each individual in the group, except for the study's Chairman, will be compensated for the time and effort as agreed upon. The staff of the study will perform most of the work, including the writing of the final document.

The policy group will report to the Chairman of the Exchange and the Board of Directors to enable them to deal effectively with issues raised in the study. A final document will be issued in 9 months and interim reports will be provided to the Chairman of the NYSE periodically.

MISSION

TO SUPPORT THE CAPITAL RAISING AND ASSET MANAGEMENT PROCESS BY PROVIDING THE HIGHEST QUALITY, MOST COST-EFFECTIVE MARKETPLACE FOR THE TRADING OF FINANCIAL INSTRUMENTS, TO PROMOTE CONFIDENCE IN AND UNDERSTANDING OF THAT PROCESS, AND TO SERVE AS A FORUM FOR DISCUSSION OR RELEVANT NATIONAL AND INTERNATIONAL POLICY ISSUES.

MISSION: STATES AN ORGANIZATION'S ROLE AND OVERALL PURPOSE.

THE NYSE FIRST ARTICULATED ITS MISSION IN 1978. THIS MISSION HAS BEEN CHANGED IN 1986 TO REFLECT THE EXCHANGE'S ROLE AS A PRICE DISCOVERY AND RISK TRANSFER MECHANISM FOR THE ASSET MANAGEMENT PROCESS. IT ALSO REFLECTS THE EXCHANGE'S EXPANDING ROLE AS A FORUM FOR INTERNATIONAL POLICY ISSUES. (THESE CHANGES HAVE BEEN UNDERLINED).